



U.S. SENATE COMMITTEE ON

Finance

SENATOR CHUCK GRASSLEY, OF IOWA - CHAIRMAN

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Statement from the Senate Finance Committee
Child Tax Credit for Lower-Income Families in the 2003 Tax Law
Thursday, May 29, 2003

The change reported in today's *New York Times* was not a last-minute revision. The accelerated refundable child tax credit was not in the President's original proposal, and it was not in the bill passed by the House of Representatives.

This credit, a new and expanded spending program, was added to the jobs and economic growth bill on top of the tax-cut provisions during the Senate Finance Committee markup. When House-Senate conferees were forced to fit all of the tax cuts and all of the new government spending into a \$350 billion package, the add-ons, including this new government spending, were dropped from the bill.

Even so, under the tax cut signed by the President yesterday, any taxpayer who pays federal income taxes will receive all or part of the extra \$400 child tax credit. In addition, for these lower-income families, the 10-percent bracket rate cut is accelerated. What's more, under existing law, families who earn between \$10,500 and \$26,625 will still receive their full earned-income tax benefit. In most cases, this means they either don't pay any federal income tax or they actually receive a check from the government. For example, for a family making \$20,000, the earned-income credit is \$950, meaning this family doesn't pay federal income taxes and receives a check from the federal government. The few families in this income category who do pay federal income taxes may still qualify for some portion of the refundable child tax credit depending on what they pay in taxes.

The 2001 tax relief law increases the refundability percentage to 15 percent of family income over \$10,500, the goal of the Senate Finance Committee's provision, in 2005 for the refundable child tax credit. Also, under existing law enacted in 1997, the child credit starts phasing out for families who have adjusted gross incomes of \$110,000.